

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Board on Universal	)	
Service	)	CC Docket No. 96-45
	)	
Public Utility Commission of the State of	)	
Oregon	)	
	)	
Petition for FCC Agreement in Redefining	)	DA 04-2111
the Service Areas of Rural Telephone	)	
Companies in the State of Oregon	)	
Pursuant to 47 C.F.R. Section 54.207(c)	)	

**REPLY COMMENTS OF OREGON TELEPHONE CORPORATION**

Oregon Telephone Corporation (Oregon Tel) respectfully submits these reply comments in support of the comments of CenturyTel of Oregon, Inc. and CenturyTel of Eastern Oregon, Inc. (collectively CenturyTel) filed in response to the Federal Communications Commission's (FCC) Public Notice seeking comment on the Public Utility Commission of the State of Oregon (OPUC) Petition to Redefine the Service Areas of Rural Telephone Companies in the State of Oregon. Oregon Tel specifically concurs in the CenturyTel comments regarding cream skimming in its Section IV, citing the Virginia Cellular Order. Oregon Tel asserts that the OPUC decision to grant Eligible Telecommunications Carrier (ETC) status to United States Cellular Corporation (USCC) was flawed in that the OPUC determined the granting of ETC status was in the public interest. The OPUC wrongly determined that the redefinition of the Oregon Tel service area would not result in de facto cream skimming,

that is serving the more concentrated, and supposedly less costly, exchanges while not serving the less concentrated, and supposedly more costly, exchanges. The OPUC also erred in their statement that the granting of ETC status would not place an undue burden on the Universal Service Funds (USF).

## **DISCUSSION**

Oregon Tel is a rural telephone company in Grant County, Oregon, with its roots stretching back to 1914. It currently serves approximately 1,870 access lines in five exchanges. Selected data are:

<u>EXCHANGE NAME</u>	<u>APPROXIMATE ACCESS LINES</u>	<u>APPROXIMATE HOUSEHOLDS PER SQ MI</u>
Prairie City	700	3.1
Mt. Vernon	700	2.0
Hereford-Unity	290	0.3
Dayville	150	0.9
Bates	30	0.3

The OPUC petition asks for FCC concurrence in the redefinition of the Oregon Tel service area so that USCC can benefit from ETC status in the three largest exchanges in the study area, Prairie City, Mt. Vernon, and Hereford-Unity. The effect of such agreement by the FCC would result in de facto cream skimming by USCC. USCC would compete only in first, second and fourth densest exchanges while failing to serve the fifth and third densest. In Order 04-356, in the section entitled **III. Type of Incumbent ILEC, B. Areas served by rural ILECs**, the OPUC states, on page 11, that

“USCC argues that an examination of the cost of serving each wire center, or, if that information is not available, an examination of the density of each wire center, will show that it is not serving only the least cost wire centers.”

While USCC proposes to serve “not only the least cost wire centers,” it is unmistakable that they are choosing to serve principally the least cost wire centers. The unavoidable conclusion is that USCC would be de facto cream skimming.

Oregon Tel is concerned that granting the OPUC petition to redefine the service area could result in significant declines in USF for its customers. In 2003 Oregon Tel expended \$285,000 to provide telephone service to four subscribers that had previously been unserved. Such expenditures would be indefensible absent USF. The dilution of USF receipts to Oregon Tel could make future such projects untenable, undermining the goal of universal service.

On page 12 of Order 04-356 in Docket UM 1084, the OPUC accepts the USCC “commitment” to spend rural USF dollars in rural exchanges, and then lists several exchanges where the USCC plans call for service improvement. Despite the fact that the majority these exchanges are served by Qwest and Verizon, the OPUC blesses the USCC planned service improvement as an appropriate use of rural USF payments. Oregon Tel asks that the FCC determine that USF originally destined for subscribers in cities with populations like Prairie City (1,080), Mt. Vernon (686), and Unity (131) is not being used as required by Congress when improving facilities in Bend (62,029), Grants Pass (23,003), or Roseburg (20,017).

## **CONCLUSION**

Oregon Tel believes that the designation of USCC as an ETC in only a portion of rural study areas is contrary to the goal of universal service, is not in the public interest, and places an undue burden on universal service funds. Oregon Tel requests that

the FCC deny the OPUC Petition to Redefine the Service Areas of Rural Telephone Companies in the State of Oregon, especially as that petition applies to Oregon Tel.

Respectfully submitted,

(submitted per ECFS 08/06/04)

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August 6, 2004

CERTIFICATE OF SERVICE

A true and correct copy of the foregoing comments, filed electronically with the FCC, was mailed, post paid 1<sup>st</sup> Class US mail, on August 6, 2004, to:

Mr. Phil Nyegaard  
Administrator, Telecommunications Division  
Oregon Public Utility Commission  
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